

SENATE BILL 1381

By Bell

AN ACT to amend Tennessee Code Annotated, Title 66,  
Chapter 27, relative to commerce.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Title 66, Chapter 27, is amended by adding the following new part:

**66-27-701. Part definitions.**

As used in this part:

(1) "Business entity" means a corporation, association, partnership, limited liability company, limited liability partnership, or other legal entity, whether organized for-profit or not-for-profit;

(2) "Declaration" means an instrument, however denominated, that creates a homeowners' association, and amendments to that instrument, including restrictive covenants, bylaws, and similar instruments governing the administration or operation of a homeowners' association;

(3) "Effectively prohibit" means to act or fail to act in a manner that prevents an owner of a residential property that is subject to a declaration, and who is in reasonable compliance with rules and regulations, from using the residential property as a long-term rental property;

(4) "Family" means the members of a household living, on a full-time or a part-time basis, in one (1) dwelling;

(5) "Homeowners' association" means an incorporated or unincorporated association owned by, or whose members consist primarily of, the owners of the

residential property covered by the declaration and through which the owners, or the board of directors or similar governing body, manage or regulate the residential subdivision;

(6) "Long-term rental property" means a single-family residential real property that is leased by the owner to a lessee for a period of one hundred eighty (180), or more, consecutive days;

(7) "Prohibit" means to forbid or ban, either permanently or temporarily, an owner of a residential property that is subject to a declaration from using the residential property as a long-term rental property;

(8) "Related" means children, parents, grandparents; any degree of great-grandparents, aunts, or uncles; any degree of great-aunts, great-uncles, or stepparent; cousins of the first degree; first cousins once removed; siblings of the whole or half degree; or a spouse of the above listed relatives;

(9) "Rules and regulations" means written policies, resolutions, guidelines, restrictions, and procedures of a homeowners' association, however denominated, which are not set forth in the declaration and which govern the conduct of persons or the use or appearance of property;

(10) "Single family residential real property":

(A) Means a separate free-standing building intended for use as a dwelling by a single family or individual and that does not have a common or shared roofline with another building intended for use as the dwelling of another; and

(B) Does not include a condominium or unit as those terms are defined by § 66-27-203; and

(11) "Transfer" means the sale, gift, grant, conveyance, assignment, or other transfer of an interest in real property located in this state. However, "transfer" does not mean:

(A) If the owner is an individual, the sale, gift, grant, conveyance, assignment, or other transfer of an interest in real property to:

(i) An individual who is related to the owner;

(ii) An heir; or

(iii) A business entity in which the owner holds an ownership interest; or

(B) If the owner is a business entity, the sale, gift, grant, conveyance, assignment, or other transfer of an interest in real property to another business entity, as long as:

(i) The transferee business entity is wholly owned and completely controlled by the owner or a business entity that wholly owns and completely controls the owner; and

(ii) It is the first sale, gift, grant, conveyance, assignment, or other transfer of an interest in the real property since the owner acquired the interest in the real property.

**66-27-702. Provision of voting record upon request.**

A homeowners' association shall, upon written request from a member, provide a record of the votes cast in a vote to amend a declaration that prohibits or effectively prohibits the use of residential property as long-term rental property. The record must include the following:

(1) The language of the ballot questions used;

- (2) A copy of all completed member ballots received by the homeowners' association;
- (3) Proof of mailing;
- (4) The number of members present at a meeting at which the vote is taken;
- (5) The total number of members of the homeowners' association;
- (6) The total number of votes that the governing body of the homeowners' association is entitled to cast;
- (7) The number of members required for a quorum; and
- (8) The final count of votes cast.

**66-27-703. Vested right to lease residential property.**

The owner of a property subject to a declaration that is amended to prohibit, or effectively prohibit, the use of residential property as long-term rental property during the period of the owner's ownership of the property has a vested right to use the property as long-term rental property until the owner transfers the property.

**66-27-704. Notice of change of business entity information.**

(a) A business entity that owns residential property in this state that is subject to a declaration shall send to the homeowners' association for the property a written notice of the following:

- (1) A change in contact information for the business entity; or
- (2) A transfer of the ownership interest in the residential property.

(b) The business entity must send the notice required by this section within thirty (30) business days of the occurrence of an event listed in subdivision (a)(1) or (a)(2).

The business entity may send the notice by electronic means to the homeowners' association and to a property manager designated by the homeowners' association, as

long as the homeowners' association has provided the business entity with contact information for the purpose of electronic communications.

**66-27-705. Application of part.**

This part applies to declaration amendments that are enacted on or after May 1, 2021.

SECTION 2. The headings to sections in this act are for reference purposes only and do not constitute a part of the law enacted by this act. However, the Tennessee Code Commission is requested to include the headings in any compilation or publication containing this act.

SECTION 3. This act takes effect May 1, 2021, the public welfare requiring it.